

In Re: James L. and Denise G. Reber)
Ward 80, Block 21, Parcel E44)
Residential Property) Shelby County
Tax year 2006)

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Tenn. Code Ann. section 67-5-601(a) provides (in relevant part) that “[t]he value of all property shall be ascertained from the evidence of its sound, intrinsic and immediate value, for purposes of sale between a willing seller and a willing buyer without consideration of speculative values....”

Since the taxpayers seek to change the present valuation of the subject property, they have the burden of proof in this administrative proceeding. State Board Rule 0600-1-.11(1).

Historically, in recognition of the inherent imperfection of mass appraisal systems, the State Board has rejected complaints to the extent that they are predicated on “comparative appraisal” methodology. Typical of such cases was the appeal of Jerry L. & Margaret D. Jonakin (Shelby County, Tax Years 1993 & 1994, Final Decision and Order, December 13, 1994), where the Assessment Appeals Commission declared that:

...[I]t is not our task to adjust one tax valuation to match or correspond with another. We may certainly consider the overall level of assessments in the jurisdiction for purposes of equalization relief...but the issue before us is the **market value** of the subject property...[Emphasis added.]

Id. at p. 2.

Respectfully, the administrative judge knows of no authority for the proposition that the market value of a property may be reliably estimated in the manner suggested by the appellants. Indeed, even if the total dollar amounts shown in their three-pronged analysis had been sale prices instead of appraised values, merely averaging those figures would not have comported with generally accepted appraisal practice. Rather, in the application of the sales comparison approach, most weight should be placed on the (adjusted) sale price of the best comparable. See International Association of Assessing Officers, Property Assessment Valuation (2nd ed. 1996), pp. 123-24.

In this regard, it should also be noted that many of the houses listed in “Example A” and “Example C” of the appellants’ “Market Appraisal Comparative Analysis” were substantially larger than the subject. Assuming equality in all other relevant property characteristics, “[s]ale price per square foot usually decreases as square feet increase, so the price of the comparable may be adjusted upward.” International Association of Assessing Officers, Property Appraisal and Assessment Administration (1990), p. 162.

Finally, an authoritative textbook states that:

Because cost and market value are usually more closely related when properties are new, the cost approach is important in estimating the market value of new or relatively new construction.

Appraisal Institute, The Appraisal of Real Estate (12th ed. 2001), p. 354.

In the instant case, the Assessor’s “market appraisal” of the appellants’ newly-built home (\$1,001,900) is less than the sum of their purchase price for the lot in 2003 and the two building

permit amounts. Even if the actual construction cost was somewhat inflated by “decorative” items or other superadequacies, this fact tends to support the Assessor’s value.

Order

It is, therefore, ORDERED that the following values be adopted for tax year 2005:

LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	ASSESSMENT
\$237,700	\$737,700	\$974,700	\$243,675

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal **“must be filed within thirty (30) days from the date the initial decision is sent.”** Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the appeal **“identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order”**; or
2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review.

This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 22nd day of January, 2007.



PETE LOESCH
ADMINISTRATIVE JUDGE
TENNESSEE DEPARTMENT OF STATE
ADMINISTRATIVE PROCEDURES DIVISION

cc: James L. and Denise G. Reber
Tameaka Stanton-Riley, Appeals Manager, Shelby County Assessor's Office